



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 4, 1997

S. 986

Veterans' Benefits Improvements Act of 1997

*As ordered reported by the Senate Committee on Veterans' Affairs
on October 7, 1997*

SUMMARY

S. 986 would affect several veterans' programs, including medical care, disability compensation, and grants for cemeteries. CBO estimates that enacting the bill would increase annual direct spending by a negligible amount over the 1998-2002 period. The direct spending costs of the bill would occur largely after 2003 and would accumulate to about \$100 million by 2012. Because the bill would raise direct spending, pay-as-you-go procedures would apply. In addition, enacting S. 986 would raise spending subject to appropriations by about \$13 million in 1998 and \$63 million over the five-year period. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Table 1 displays the estimated costs of S. 986 over the 1998-2002 period. The costs of this bill would fall within budget function 700 (veterans benefits and services).

Direct Spending

The direct spending would stem from provisions that would increase payments of disability compensation to certain veterans and certain readjustment benefits.

TABLE 1. BUDGETARY IMPACT OF S. 986 (By fiscal year, in millions of dollars)

	1998	1999	2000	2001	2002
DIRECT SPENDING					
Estimated Budget Authority	a	a	a	a	a
Estimated Outlays	a	a	a	a	a
SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	54	5	5	5	5
Estimated Outlays	13	9	15	15	11

NOTE: The costs of this legislation would fall under budget function 700 (veterans' affairs).

a. Less than \$500,000.

Disability Compensation. In 1991, the Congress authorized special payments to personnel who separate voluntarily from military service prior to September 30, 1999, but are not eligible to receive retirement benefits. One of the separation incentives is a lump-sum payment known as the special separation benefit (SSB). The laws that authorize the separation payments also prohibit veterans from receiving those payments and veterans' disability compensation if both stem from a single period of service. For SSB recipients who separated prior to September 30, 1996, that prohibition results in a delay in receiving the disability compensation until the full amount of the bonus is offset.

S. 986 would limit the offset required for veteran's disability compensation to 75 percent of the value of any SSB payment received after December 5, 1991. CBO estimates that roughly 10,800 recipients of SSB would be affected. Under current law, disability payments for SSB recipients are delayed for more than 10 years on average. The bill would shorten the period until a veteran would begin receiving disability compensation by about three years, so that by 2006, the majority of these SSB recipients would qualify for payments--about \$3,000 annually. Near-term costs would be negligible because most disability compensation would still be deferred. CBO estimates that costs for the additional years of compensation eligibility would total \$100 million through 2012.

Readjustment Benefits. The bill would provide for an increase of about \$220 per month in educational assistance for those individuals who, as of December 31, 1989, were entitled

to benefits under Chapter 34 and who are pursuing a program of cooperative education. This provision would have an insignificant cost because it would affect only a small number of individuals.

Spending Subject To Appropriation

The bill would increase the authorization of appropriations for construction and leases of medical facilities, and grants to state cemeteries.

Major Construction and Facility Leases. The bill would authorize the appropriation of \$35 million for the Department of Veterans' Affairs (VA) to complete seismic corrections to its medical facility in Memphis, Tennessee, and \$14 million in 1998 for several specific leasing agreements. For construction, CBO estimates VA would spend under \$200,000 in 1998 and \$33 million over the 1998-2002 period. For leases, CBO estimates that VA would spend \$13 million in 1998 and \$1 million in 1999.

The bill would also authorize VA to use unobligated balances, in addition to new appropriations, to carry out the seismic corrections at the Memphis facility, up to a total cost of \$107.6 million. The unobligated balances would be derived from amounts appropriated for fiscal years before 1998. CBO estimates that this authorization would have no budgetary impact because spending of these balances under the bill would not differ significantly from spending for the projects that were funded originally.

State Cemetery Grants Program. To receive a grant for a cemetery under current law, a state must contribute a combination of land and funds. The bill would allow states to contribute more land and less funding to satisfy the matching requirement. CBO expects that enactment of this provision would raise states' participation and result in an expanded grant program. Based on information from VA, CBO estimates that this provision would raise spending for this program by about \$5 million a year, which would add outlays of \$16 million over the 1998-2002 period, assuming appropriation of the necessary funds.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Because the bill would affect direct spending, pay-as-you-go procedures would apply. The projected changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

TABLE 2. BUDGETARY IMPACT OF S. 986 ON SPENDING SUBJECT TO APPROPRIATIONS
(By fiscal year, in millions of dollars)

	1997	1998	1999	2000	2001	2002
MAJOR CONSTRUCTION AND MEDICAL FACILITY LEASES						
Spending Under Current Law for Medical Construction						
Estimated Authorization Level ^a	219	32	0	0	0	0
Estimated Outlays	559	243	126	53	20	9
Proposed Changes						
Estimated Authorization Level 0		0	49	0	0	0
Estimated Outlays	0	13	7	11	10	6
Spending Under S. 986 for Medical Construction						
Estimated Authorization Level 0		219	82	0	0	0
Estimated Outlays	559	258	133	64	30	15
STATE CEMETERY GRANTS PROGRAM						
Spending Under Current Law for State Cemetery Grants						
Estimated Authorization Level ^b	1	1	1	1	1	1
Estimated Outlays	3	2	1	1	1	1
Proposed Changes						
Estimated Authorization Level 5		0	5	5	5	5
Estimated Outlays	0	0	2	4	5	5
Spending Under S. 986 for State Cemetery Grants						
Estimated Authorization Level 6		1	6	6	6	6
Estimated Outlays	3	2	3	5	6	6

a. The 1997 and 1998 levels are the amounts appropriated for those years as of September 30, 1997.

b. The 1997 level is the amount appropriated for that year. Amounts for fiscal years 1998 through 2002 are subject to appropriation.

Estimated Effects on Direct Spending and Receipts

	By Fiscal Year, in Millions of Dollars									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Change in outlays	0	0	0	0	0	4	18	27	30	14
Changes in receipts	Not applicable									

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 986 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill would modify a program that provides grants to states for establishing or expanding veterans cemeteries.

ESTIMATED IMPACT ON THE PRIVATE-SECTOR

This bill would impose no new private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On October 1, 1997, CBO prepared a cost estimate for H.R. 2571, a bill to authorize major construction and leases of VA medical facilities. The estimates for H.R. 2571 and comparable provisions of S. 986 differ slightly because of small differences in the amounts authorized.

ESTIMATE PREPARED BY:

Federal Cost: The estimates of federal costs were prepared by Mary Helen Petrus (state cemetery grants), Shawn Bishop (medical care), Jeannette Deshong (disability compensation), and Valerie Barton (readjustment benefits).

Impact on State, Local, and Tribal Governments: Marc Nicole

Impact on the Private Sector: Rachel Schmidt

ESTIMATE APPROVED BY:

Robert A. Sunshine
Deputy Assistant Director for Budget Analysis